



World Chronicle

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UNITED NATIONS BUDGET

Yukio TAKASU, United Nations Assistant Secretary-General for Programme Planning, Budget and Accounts, and Controller, discusses the financial situation of the Organization. Financing United Nations programmes and activities is the collective responsibility of all its Members. Member States' contributions to both the regular and peace-keeping budgets are based on a country's capacity to pay and are calculated every three years. This year the Assembly approved activities and programmes with a cost of \$2.75 billion, but approved a biennium budget of only \$2.6 billion. The \$154 million deficit will be met by cutting funding to programmes and eliminating up to 800 posts, in both the Professional and General Service categories, through attrition, buy-outs and involuntary separation.

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ANNOUNCER: From United Nations Headquarters in New York, this is **World Chronicle**, an unedited interview programme about major global issues. Here now to introduce our guest is the host of today's **World Chronicle**.

LITTLEJOHNS: I'm Michael Littlejohns, and this is **World Chronicle**.

To carry out its programmes and activities, the United Nations is totally dependent on cash inflows from its 185 Member States. But today, these Member States owe the world organization more than \$3 billion in unpaid assessments, for both the regular and peace-keeping budgets. How big is the United Nations budget? How is a Member State's assessment calculated? And can the global organization find other means to meet its financial obligations?

Our guest today is the chief financial officer of the Organization. He is Yukio Takasu, United Nations Assistant Secretary-General for Programme Planning, Budget and Accounts, and Controller. Joining me to talk with Mr. Takasu are Bhaskar Menon of the *International Documents Review* and Evelyn Leopold of Reuters.

Mr. Takasu, welcome to **World Chronicle**.

TAKASU: Thank you very much.

LITTLEJOHNS: Mr. Assistant Secretary-General, let's go back to the questions raised in the introduction. How big is the United Nations budget? How is a Member State's assessment calculated? And can the global organization find other means to meet its financial obligations? What are the answers?

TAKASU: Yes. There are two budgets of the United Nations. One is the regular budget; the other one is the peace-keeping budget. They're all entirely financed by assessed contributions. And the first, the regular budget, is in fact to finance operational costs for organizations not only in New York but all over the world.

LITTLEJOHNS: So-called housekeeping.

TAKASU: That's right. It's about \$1.3 billion per year, per 12 months. So on a monthly basis, probably just over \$100 million. For the peace-keeping budget it's much bigger. Last year we spent more than \$3.2 billion. But this year, because of the operation changes in Yugoslavia and others, probably in the neighbourhood of \$1.4 to \$1.5 billion. How are these financed? By assessed contributions, basically taxed among all the Member States, 185 Member States, according to what we call capacity to pay. These are very complicated procedures, but basically, depending on the national income; also per capita income. In other words, the wealthy country will pay more, and if the per capita income is low, then they have a discount and they pay less. The financial aspect of this is that, since it is up to Member States to finance this Organization, so, in other words, the United Nations is entirely vulnerable to the attitude of the Member States in finance.

LITTLEJOHNS: On the question of assessments, I mean, a huge country like China, with a population of — what is it? — about 1.2 billion now, is actually a very small contributor of funds to the United Nations.

TAKASU: Indeed. As I say, there is what we call the low per capita income allowance formula, which changes the size of national income. Basically, capacity to pay is counted as the national income of each country. China has no small national income as a whole, but the per capita income of China is very low. And just like in income tax in national countries, there is a maximum 85 per cent discount of national income. Therefore, the Chinese national income is calculated on the basis of probably 80 to 75 per cent, and that is used as the basis. Therefore, there is a significant reduction.

LITTLEJOHNS: And your country, Japan, of course, is the second largest contributor with — what's the percentage for Japan?

TAKASU: Now it's over 15 per cent.

LITTLEJOHNS: Over 15 per cent, which is about — the United States would like to have its contribution cut to 20 per cent. What are the chances of that happening?

TAKASU: Well, you see, this is basically a zero sum game. If you reduce some countries here, like the United States, then some other countries have to pick up that part. And the —

LITTLEJOHNS: So Japan would have to pay somewhat more for the United States to pay less?

TAKASU: It's not only Japan, but Europeans — all other countries have to pay more. And, as you know, it is more than 20 years ago that the General Assembly decided to reduce what we call — not the American share, it's a ceiling, no country should pay more than something. When the United Nations was created, no country was — well, in fact, agreement was reached that no country should pay more than 40 per cent. But over the years, because of changes in membership, changes in economic size, the share, say, the ceiling, has been reduced gradually, and then 25 per cent the last time, in the early '70s.

LITTLEJOHNS: And percentage-wise, what is the smallest amount?

TAKASU: The smallest right now is 0.01 per cent. And again, this has been reduced from 0.04 per cent 50 years ago. There is now discussion going on in the General Assembly, as you know, the Working Group on Financial Matters, discussing — this is one of the major issues. As you mentioned, the United States has stated publicly that they would like to see that their share should be reduced to 20 per cent. And also there is a strong proposal to reduce the floor, we call it, the 0.01 per cent, to —

LITTLEJOHNS: To reduce that too?

TAKASU: Yes. Because —

LITTLEJOHNS: But some of these countries are paying at the moment about — what? — \$107,000 a year.

TAKASU: \$107,000, indeed, indeed.

LITTLEJOHNS: I mean, how can a country argue that it couldn't afford to pay \$107,000?

TAKASU: Well, you —

LITTLEJOHNS: I could pay \$107,000!

TAKASU: If you take the United Nations as a private club —

LEOPOLD: That's good, Michael.

TAKASU: — and you can get one vote, you know.... However, there is — in fact, if you look at it from a different angle, if you have no ceiling, no floor of this kind, then the United States will probably have to pay more than 25 per cent, over 27, 28 per cent. So in reality they are already given some credit for this. If you look at very small countries, where the population is very small, 0.01 per cent is already, proportionately speaking, a very large burden. Therefore there is an argument that we should take away that floor.

MENON: Yes, but I think the question here that was asked, and I think it's a legitimate one, is that if a country can't afford to pay \$108,000, should it belong in the UN, does it belong in the UN? At what level do you — at what price do you put sovereignty?

TAKASU: Well, it's quite true, as I told you, that when the UN was created — well, of course they had a small number of Member States, but there was in fact a principle of so-called "collective responsibility". In other words, big and small, there should be at least minimum responsibility. Therefore, 0.04 per cent was agreed. And over the years, the last 50 years, it has been reduced. But there is a challenge now, because those countries with a small economy are arguing that, proportionately speaking, proportionately, they're paying more than some of the big Powers.

MENON: If you took away the floor completely, what would be the lowest that a country would pay?

TAKASU: I think the — I don't have the figure here — but 0.000 something.

MENON: And which one would that be? Which country would that be?

TAKASU: There are countries, for instance, the population is just over 10,000, for instance. Those countries — well, I mean, the very, very small. So —

LITTLEJOHNS: And the per capita income is something like \$300 a year.

TAKASU: That's right. Then almost, you know — ultimately 000.

LITTLEJOHNS: Yes, but Papa Menon has a point there, I think. I mean, if a country is so poor, can it really claim membership with the United Nations, where all

Member States, at least in the General Assembly, and all organs except the Security Council, are on an equal basis?

TAKASU: Well, that is a debatable issue, really. Because in the recent past, in particular after the cold war was over, there has been a significant increase in the number of Member States. And size of economy must never be criteria for application of Member State. I mean, membership to the United Nations. According to the Charter, there is nothing to say that, you know, if you're small, you're not admissible.

MENON: There is something about obligations of membership. And if you cannot afford to pay — that is a direct obligation of membership, the capacity to pay. And I think — when you say that that is open to debate — has it been debated, in fact, in these terms?

TAKASU: Well, I don't think publicly debated in that way. I mean, there's a philosophical point of view. In other words, collective financial responsibility is very clear as the spirit in the Charter. And it's never been challenged....

MENON: No, but in the Committee on Contributions, when they're discussing scale of assessments, even behind closed doors, has the discussion ever come down to a level of people saying to the other people, "Look, you don't belong in the UN if you can't pay this much"?

LITTLEJOHNS: In fact, yes. Because several years ago, when U Thant was the Secretary-General of the UN, the question did come up whether so-called micro-States or mini-States, when they became independent, as many did, from colonial times, should not automatically be able to become members of United Nations. But the idea was somehow or other abandoned.

TAKASU: Yes. Well, it's not the Secretariat, it is the General Assembly, to accept new membership, really. And, at that time, Member States can exercise judgement whether they should use the criteria as a country, and then because of size of economy and other things. I think the most important thing is responsibility, financial responsibility, or commitment to pay their share. That has been determined by Member States.

LEOPOLD: Don't you also have the problem that the assessments the way they are now lag well behind the state of the economy, so that in actuality China and perhaps other emerging economies in Asia, as well as perhaps Saudi Arabia and some economies in the Middle East, are paying well under what they should, because of a time lag in assessing them? Would that make a dent in the budget, if this were somehow changed?

TAKASU: Well, indeed, that is one of the many, many issues that has been discussed, not only in the Committee on Contributions, but also in the General Assembly's Working Group on Financial Matters. Namely, right now, as I mentioned, the scale of

assessments is calculated by national income, but national income data of the previous seven years. That was, in fact, instituted in order to avoid variations. Every three years the scale of assessment is reviewed by the General Assembly, but if you use very recent annual data, for instance, the variation would be too rapid, up and down. Therefore the General Assembly agreed there should be a longer financial period, seven years. But as a result of this, it does not reflect recent changes in economic relationships. Therefore —

LEOPOLD: Seven years seems a long time.

TAKASU: Now it's being discussed, and then I think the trend is going towards a shorter period, for instance, three years. That is proposed by the European Union, and it's likely to be accepted.

MENON: The current scale is valid for how long?

TAKASU: Until 1998.

MENON: So the negotiations will be this coming General Assembly? To set the next scale of assessments?

TAKASU: Well, the scheme for — how to call this? — scale of assessment has been already decided, '95, '96, '97.

MENON: I see.

TAKASU: Therefore, unless the General Assembly agrees to reopen the issue before that, any agreement must be reflected starting from 1998.

MENON: I see.

LEOPOLD: I wanted to ask you something else. These assessments and changes are not going to fill up your budget gap, and your department has asked for many wide-ranging reforms, including either buy-outs or freezing jobs of about 800 people. Have you actually fired anyone? I mean, it's been indicated that that won't be enough to cover what you want to reduce. Have UN employees actually been told to go home, aside from those who volunteered to leave?

TAKASU: That is related to what we call the budgetary crisis. We do have a two-problem financial problem: The financial crisis is due to the cash flow because of non-payment by many Member States; this issue of the buy-out and then termination of staff and other things is due to the budget crisis. In other words, the General Assembly, in fact, for the first time in many, many years, decided that the budget for the United Nations shouldn't be bigger than \$2.6 billion for this year and next year, because the budget, the regular budget is determined every two years.

LITTLEJOHNS: That's two years.

TAKASU: Two years. \$2.6 billion.

LEOPOLD: Over two years.

TAKASU: In fact, the value, or cost of the programme for keeping all these approved people and other things that has been done in the General Assembly will be \$2.75 billion. However, Member States said — on the one hand they're asking us to carry out programmes which cost \$2.75 billion; they agreed to pay only \$2.6 billion. The gap is \$150 million. The Secretariat has to reduce this cost. This is the budget crisis. Seventy-five per cent of the regular budget comes from staff-related costs. Therefore, in order to achieve such a significant budget reduction, it is inevitable that we have to reduce significantly staff costs. How to do it? We have decided to, in fact, encourage staff members who are prepared to leave the Organization voluntarily to leave by offering an early separation programme. And we just started this programme. And our plan is to reduce \$154 million, in fact. Our aim is to raise the vacancy — in other words, to encourage people to leave and not fill that post; in that way we can reduce costs. Our target, in fact, is 9 per cent for Professionals and 7 per cent for General Service. That means, in terms of numbers, 800 people. In other words, from now to the end of next year, the next budget, I mean this budget, we are planning to reduce the number of people by 800. It's about — well, the neighbourhood of 9 to 10 per cent.

LEOPOLD: That means you're going to have to fire some. Have you done that yet?

TAKASU: As I told you, we have just launched an early separation programme for those people who are voluntarily willing to be separated.

LEOPOLD: Yes, I understand.

TAKASU: We encourage them. And then if we cannot achieve this targeted reduction, we may have to go. But right now the number that we have to go for involuntary separation will be not so significant, that is our hope.

MENON: But would that be increased —

LITTLEJOHNS: This is *World Chronicle*. Our guest is Yukio Takasu, United Nations Assistant Secretary-General for Programme Planning, Budget and Accounts, and Controller of the UN.

MENON: Now, you've described a fairly static situation where you have to cut \$150 million from the budget. But actually, the situation is that new demands are being imposed on your budget. For instance, the continuation of the operations in Guatemala, in El Salvador, in Burundi and Rwanda, and in Afghanistan — these operations add up, I understand, to about \$100 million, an additional \$100 million, and that has to be taken care of. And the General Assembly has said that they will not authorize new funds. So actually you're talking about a moveable feast, such as it is.

TAKASU: This is a really major issue, really. In other words, the Member States have agreed, or even asked, the Secretariat to implement certain activities and programmes

which cost \$2.75 billion, and they are prepared only to pay \$2.6 billion. However, as you mentioned, it's not only \$2.75 billion; after the General Assembly approved the budget, the General Assembly has taken several actions: to extend the mission in Guatemala, the civilian mission in Haiti — as you mentioned, many things come up — the Commission of Inquiry in Burundi and Rwanda, Afghanistan, El Salvador, all this —

LITTLEJOHNS: Without voting the funds, you mean?

TAKASU: That's right. And then it's not only political issues.

LITTLEJOHNS: But how can Member States be so irresponsible? I mean, surely, if they approve these programmes, surely they have to approve the money, the funding for them.

TAKASU: The Secretary-General therefore wrote a letter to the President of the General Assembly reminding the Member States that the Secretary-General is making strenuous efforts to identify \$154 million. So far we have succeeded only in the neighbourhood of \$140 million; we have still a way to go. Therefore, all additional activities that will be decided after the adoption of the budget will cost money. So it means additional costs. And if Member States are not prepared to do it, then the Member States have a responsibility to identify which existing programme could be reduced to finance these new activities. We have done it, but so far the Member States didn't respond to anything.

MENON: I understand you're supposed to do it, that the Secretary-General has to submit a formal report saying these are the things that can be cut, but the report that the Secretary-General has submitted only identifies the \$150 million, not the additional. When — I mean, how does that figure — and I understand another additional \$3 million has now come in from the Climate Conference talks.

TAKASU: Indeed. As you mentioned, there are many political missions which are not included in the budget, but it is not only political activities — climate change; and also just now in Vienna they are discussing about the new special session on drug control, for instance. There are many activities that have to be mandated.

LEOPOLD: Let me ask you about two of them. First of all, Assistant Secretary-General Rosario Green is very worried that women, who are in a minority and whom she is trying to promote, and who have less seniority, will be the first cut here. What prevents that? Secondly, how do you cope with cuts in a department like peace-keeping, which spent years trying to get to its present level and has to have a certain amount of military experts shipped to it — I mean loaned to it by individual members who can't sort of be replaced if these posts are left vacant? How can you cope with both of these dilemmas at this time?

TAKASU: Yes, it is a very real dilemma. Because, on the one hand, as I mentioned, we are aiming at reducing a number of 800 people, Professional and General Service. At

the same time, it is our intention to increase gender balance, and also it is our intention to establish more equitable geographical balance. There are many countries who are not very happy with their representation in the UN Secretariat. So in identifying the vacancies, or in identifying the staff to be reduced, these are the over-riding criteria. We are not using only simply seniority here, in this exercise. First of all —

LEOPOLD: What's happened in practice? Have the women's jobs been spared? And are you decimating peace-keeping?

TAKASU: Well, about peace-keeping operations, it is true that some — it's not only peace-keeping operations. We do have the Centre for Human Rights, or [the Department of] Humanitarian Affairs, and there are many departments which have very heavy responsibilities, and the — how to call this? — the responsibility cannot, in fact, be well dealt with by existing staff. However, there is no exception in our budget reduction. Because if you make one exception for peace-keeping or other things, then there will be great difficulty then. How about economic issues? How about trade and other things? So, as an initial stance, we are applying basically equal budget reductions. However, in each individual case we take into account the priorities and urgencies and then staff relations and other things. Therefore, we are trying to achieve, in fact, mutually the — how to call it? — exclusive, perhaps, agendas. First we have to significantly reduce the budget, reduce staff; at the same time, increase the number of women; and then increase those staff who are coming from under-represented countries; and then also not to destroy and weaken the capacity of the Organization's Secretariat, in the area of peace-keeping and others. And it's extremely difficult, but we are trying to achieve it.

MENON: But isn't it true that, you know, from everything that you've described, you're describing essentially a static situation, and the reports of the Secretary-General also describe a fairly static situation, but the truth of the matter is that the Americans especially are pressing for very dramatic changes in the UN Secretariat. They are pressing for a much smaller Secretariat, differently oriented, and that at the end of this process will emerge that Secretariat, or something close to it. And it cannot be achieved by what the Secretary-General has said will happen in his reports. There has to be much more than 800 posts cut, if the end result is to be achieved.

TAKASU: Well, it's very clear that a \$154 million budget reduction has been decided by the General Assembly, not by one Member State among us. Therefore the Secretariat, the Secretary-General, is complying with that demand, that we have to do it. However, additional requests or mandates on other things, in fact, are another \$100 million — \$120 million now we are anticipating — which cannot be absorbable, it's very, very clear. So

Member States have to make a political decision whether they are prepared to pay or they have to agree to reduce certain activities. We cannot do both.

LITTLEJOHNS: Mr. Takasu, let's talk a bit more about peace-keeping. Do you think, given the financial and budgetary problems of the UN, that there is a risk that the UN might have to get out of the business of peace-keeping?

TAKASU: Well, I don't agree with you at all. In fact, there are a lot of misunderstandings about the financial crisis of the United Nations, in particularly peace-keeping operations. Peace-keeping operations have rapidly increased in the last few years. Therefore, it's true, we have a lot of problems. However, we have learned a lot of lessons, and we have made a lot of reforms, in both financing and budgeting of peace-keeping operations. I'm pretty confident that we have a better capacity to deal with peace-keeping operations. We have a cash flow problem because we have to use peace-keeping operations sometimes to finance the regular budget deficit.

LITTLEJOHNS: What changes would you recommend to finance peace-keeping, for example?

TAKASU: Well, peace-keeping is basically financed by, as I said, assessed contributions based on the scale which heavily —

LITTLEJOHNS: Are there no longer any voluntary peace-keeping operations? Cyprus used to be voluntary, I think.

TAKASU: Yes. And then it had been 100 per cent voluntary, the peace-keeping operation in Cyprus. But a few years ago it was agreed to charge the core activities to assessed contributions, supplemented with voluntary contributions from Cyprus, and then the Government of Greece. Also, another operation, the Iraq-Kuwait operation, UNIKOM, two-thirds of the cost is financed by the Government of Iraq — sorry, the Government of Kuwait.

LITTLEJOHNS: Kuwait.

TAKASU: These are the examples, but basically I think the principle of peace-keeping operations is — so long as it is decided by the Security Council, it will be financed by assessed contributions.

LEOPOLD: But we haven't mentioned one thing here, which is that much of this is due to the fact that the United States owes \$1.6 billion to the United Nations with no relief in sight. You expect to run out of cash, when, in December, unless the United States pays? Is this really what we're talking about?

TAKASU: Yes. We do have the cash flow projection that we have informed the Security Council, saying that by June this year the regular budget will run out and then we have to borrow from peace-keeping operations. However, that borrowing from peace-

keeping operations will allow us to continue until before the end of the year, and probably the end of the year if — our forecast is not — well, the — how do you call this? — if we don't get to move to an upward forecast, we're going to have a real problem at the end of the year. However, after we presented this cash projection, there are two major things that happened, very important. One is the pronouncement of the Russian Government to make a \$400 million payment this year. In fact, the Russians arrears, non-payment, is less than \$400 million. So it really means that we didn't anticipate that Russia will pay \$400 million. It will be \$270 million more than we anticipated. This is the positive.

LEOPOLD: How does that figure in in keeping the doors open of the UN? Time-wise?

LITTLEJOHNS: Russia saves the UN, or will save the UN?

TAKASU: I think that is a pretty good categorization. In other words, the financing gap of this year is about \$300 million. If we get \$300 million more than we anticipated a few months ago, we will manage.

MENON: Could I ask you to clarify something? You said you'll have to borrow from the peace-keeping budget. This means essentially not paying the countries which have already spent the money to staff peace-keeping operations, including countries like India and Bangladesh, which are among the poorest in the world.

LITTLEJOHNS: India is a poor country?

MENON: Of course it's a poor country! The per capita income is very poor, it's very low. And so you're essentially saying that because the largest contributor has not paid for the UN, the UN is forcing these poor countries to pay it money.

TAKASU: It's not only poor countries, but also rich countries who have made a great sacrifice in providing their people and equipment to peace-keeping operations. Nearly 80 Member States are waiting payment from the United Nations.

MENON: Eighty?

TAKASU: Eighty. Exceeding \$1 billion. And I agree completely with you that all these troop-contributing countries, rich and poor, are in fact lending the money to those countries which are not paying without any interest rate.

LITTLEJOHNS: The question of peace-keeping of course is something which is exercising the Congress of the United States. Do you think that the United States may come up with some more money for peace-keeping, which will also help you to keep the place afloat?

TAKASU: Yes. The Secretary-General and the senior Secretariat officials, including myself, have been making a lot of effort to contact not only the US Government and all

those influential people, and we made an appeal that if the United States wants serious reform of the United Nations, then try to avoid the collapse of the Organization.

LITTLEJOHNS: Mr. Takasu, that's all the time we have. Thank you for being with us on this edition of **World Chronicle**. Our guest has been Yukio Takasu, United Nations Assistant Secretary-General for Programme Planning, Budget and Accounts, and Controller. He was interviewed by Bhaskar Menon of the *International Documents Review* and Evelyn Leopold of Reuters. I'm Michael Littlejohns. Thank you for joining us. We invite you to be with us for the next edition of **World Chronicle**.

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